

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 21-087

**LIBERTY UTILITIES (GRANITE STATE ELECTRIC) CORP.
d/b/a LIBERTY**

2021 Default Service Solicitations

Order Approving Solicitation Process and Resulting Rates

ORDER NO. 26,489

June 21, 2021

APPEARANCES: Michael J. Sheehan, Esq., on behalf of Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities; and Paul B. Dexter, Esq., on behalf of Commission Staff.

This order approves Liberty's competitive solicitation of energy supply for its large and small customer groups and authorizes Liberty to recover the costs of that supply through rates effective with services rendered on and after August 1, 2021. As a result, residential rates for energy service will increase from the current rate of 6.426 cents per kilowatt-hour to 8.396 cents per kilowatt-hour. The approved residential rate is 1.571 cents per kilowatt-hour higher than the energy service rate charged for the same period last year.

I. PROCEDURAL HISTORY

On April 29, 2021, Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities (Liberty or the Company) filed a notice of its schedule for solicitation of energy supply for the six month period of August 1, 2021, through January 31, 2022. On May 12, Liberty pre-filed testimony and related exhibits supporting its energy service rate reconciliation for the period August 1, 2020, to July 31, 2021. On June 14, Liberty filed the results of its solicitation along

with supporting pre-filed testimony, related exhibits, and proposed rates to recover the costs of power supply.

The solicitation requested power supply for Liberty's large and medium commercial customers (Large Customer Group) and its small commercial and residential customers (Small Customer Group).¹ Liberty made its filings pursuant to a settlement agreement approved by the Commission in Order No. 24,577 (January 13, 2006), as modified by Order No. 24,922 (December 19, 2008), Order No. 25,601 (November 27, 2013), and Order No. 25,806 (September 2, 2015).

Liberty's filing included the pre-filed testimony of John D. Warshaw, Manager, Electric Supply for Liberty Utilities Service Corp., and pre-filed testimony, attachments, and a technical statement of David B. Simek, Manager, and Adam M. Hall, Analyst, Rates and Regulatory Affairs for Liberty Utilities Service Corp.

The attachments to Mr. Warshaw's pre-filed testimony contain information that Liberty asserted is confidential pursuant to New Hampshire Code Admin. Rules Puc 201.06(a)(15), including the Company's master power agreement transaction confirmation with the winning suppliers, a bid evaluation and summary, and information regarding compliance with New Hampshire's Renewable Portfolio Standard (RPS) requirements.

The pre-filed testimony and technical statement of Messrs. Simek and Hall presented the reconciliation of energy service revenues and expenditures for the period August 1, 2020, through July 31, 2021. Their schedules also provided the reconciliation of costs and revenues

¹ According to Liberty's testimony the Large Customer Group includes customers taking service under the General Long-Hour Service Rate G-2, or General Service Time-of-Use Rate G-1, under the Company's Retail Delivery Tariff, and the Small Customer Group includes customers taking service under Domestic Service Rate D, Domestic Service-Optional Peak Load Pricing Rate D-10, Outdoor Lighting Service Rate M, Limited Total Electrical Living Rate T, General Service Rate G-3, or Limited Commercial Space Heating Rate V, under the Company's Retail Delivery Tariff. Hearing Exhibit (Exh.) 2 at 4-5.

associated with compliance with RPS requirements and administrative and general costs as well as revenues associated with the provision of energy service for the reconciliation period. The updated reconciliation provided the most current information available regarding the factors that were included in the calculation of the proposed energy service rates for both the Large and Small Customer Groups.

On June 17, 2021, Liberty filed additional exhibits to correct several earlier filed schedules for formula errors and to reduce the reconciliation amount of RPS compliance costs proposed to be included the energy service (ES) rates. Specifically, Liberty removed costs related to its purchase of Class III Renewable Energy Certificates (RECs) beyond the adjusted 2020 Class III RPS requirement,² amounts over and above the Alternative Compliance Payment (ACP) cost level for the Class III RECs it will use for 2020 RPS compliance, and also reduced the cost of certain RPS compliance amounts to reflect the ACP rate for 2020 instead of 2021. On the morning of June 18, Liberty filed additional schedules to reflect corrections made on June 17.

On June 3, 2021, the Commission issued an order of notice scheduling a hearing on June 18. The petition and subsequent docket filings, other than any information for which confidential treatment is requested of or granted by the Commission, are posted on the Commission's website at <https://www.puc.nh.gov/Regulatory/Docketbk/2021/21-087.html>.

II. POSITIONS

A. Liberty

1. RFP Process

According to Liberty, it conducted its solicitation process consistent with the terms of the settlement agreement approved in Order No. 24,577. Liberty issued a request for proposals

² In Order 26,472 dated April 20, 2021, the Commission reduced the 2020 RPS Class III compliance requirement from 8% to 2%.

(RFP) on May 3, 2021, to a number of potential suppliers. The Company also distributed the RFP to all members of the New England Power Pool Markets Committee and posted the RFP on its energy supply website. The RFP requested fixed pricing for each month of service on an as-delivered energy basis. Liberty received indicative proposals on June 1, and final bids one week later.

For each customer group, Liberty chose the supplier that (1) provided a bid that conformed to the RFP, (2) had the lowest price, (3) met the credit requirements described in the RFP, and (4) passed Liberty's qualitative evaluation.

On June 9 2021, Liberty entered into a wholesale Transaction Confirmation (Exh. 2 at 105, Schedule JDW-4) with Dynegy Marketing and Trade, LLC. (Dynegy). Dynegy was the winning bidder to provide energy to the Large Customer Group for both of the three-month periods for which bids were sought; August 1, 2021, through October 31, 2021, and November 1, 2021, through January 31, 2022. Liberty filed a Dynegy New Hampshire Master Power Agreement as part of Exhibit 2. Also on June 9, Liberty entered into a wholesale Transaction Confirmation (Exh. 2 at 160, Schedule JDW-6) with Exelon Generation Company, LLC (Exelon). Exelon was the winning bidder to provide energy to the Small Customer Group for the six-month period August 1, 2021, through January 31, 2022. Liberty had filed the First Amendment to the Exelon Master Power Agreement with the Commission in Docket No. DE 09-010.

According to Liberty, the load-weighted average of the power supply costs for the Large Customer Group for the six-month period beginning August 1, 2021, will be 7.914 cents per kilowatt-hour (kWh), as compared with the current load-weighted average of 6.497 cents per kWh for the sixth-month period ending July 31, 2021. The load-weighted average of power

supply costs for the Small Customer Group for the six-month period beginning August 1, 2021, will be 8.396 cents per kWh, as compared with the current load-weighted average of 6.426 cents per kWh.

2. RPS Adder

The energy service period covered in this filing includes five months of the 2021 RPS compliance year, and one month of the 2022 RPS compliance year. Liberty stated that the total 2021 RPS compliance requirement is 21.6 percent of load, and for 2022, the compliance requirement will increase to 22.5 percent of load. Liberty calculated an RPS compliance adder of 0.684 cents per kWh for the entire six month period. This adder is included in the calculation of energy service rates for both the Large and Small Customer Groups.

3. Retail Rates

Liberty calculates the base energy rate for both customer groups using the applicable loss factors, and then adjusts the rates by the amount of the RPS adder, the Energy Service Adjustment Factor (ESAF), and the Energy Service Cost Reclassification Adjustment Factor (ESCRAF). The ESAF reconciles costs and revenues of RPS, energy service, and the previous period's ESAF. The ESCRAF recovers and reconciles the administrative costs of providing energy service. Liberty proposes an ESAF of 0.146 cents per kWh for both the Large and Small Customer Groups. Liberty calculated the energy service rate for the Small Customer Group, adjusted for the RPS, ESAF and ESCRAF components, to be 8.396 cents per kWh, an increase from the current energy service rate of 6.426 cents per kWh.

For the Large Customer Group, Liberty develops base energy rates that vary by month. Liberty then adjusts those rates using the reconciliation factors and the RPS adders, to calculate a

total energy service rate for each month in the energy service period. As a result of those calculations, Liberty derived the following monthly rates for customers in the Large Customer Group.

Month	Cents per kWh
August 2021	6.483
September 2021	6.126
October 2021	6.297
November 2021	7.557
December 2021	9.555
January 2022	11.895

4. RPS Reconciliation

Liberty testified that in 2020, it purchased sufficient Class III RECs to meet the RPS requirement equal to 8 percent of total megawatt hours of electricity supplied through its Energy Service rates, and that subsequently that requirement was reduced to 2 percent. This left Liberty with more Class III RECs than needed for its 2020 RPS Compliance requirement. Liberty also testified that it paid a market price for these RECs that was above the ACP rate, thereby incurring unnecessary costs. Liberty testified that it would not have purchased any RECs at that time, if it was aware that the market price was higher than the ACP rate. Liberty testified that customers should not pay for RECs at a cost higher than the ACP rates. In the corrected schedules filed on June 17, Liberty removed from proposed rates any costs associated with both the extra RECs (the quantity above the modified 2 percent 2020 Class III requirement) and the additional costs resulting from purchase prices being higher than the 2020 Class III ACP rate. Liberty stated that its rates proposed for effect August 1, 2021 include only the 2 percent requirement for Class III RECs, at the 2020 Class III ACP rate level.

Further, Liberty stated that it would write off from its books, the excess (unrecovered) costs related to all Class III RECs used in 2020 that were purchased at cost greater than the 2020

Class III ACP rate. Liberty testified that it had banked the extra Class III RECs and would use them in the future, to the extent possible under the restrictions placed on use of banked RECs. Liberty stated that because these RECs had been retired in the NEPOOL GIS tracking system they could not be re-sold.

B. Staff

Staff stated that Liberty appropriately conducted the solicitation and selection of winning bidders consistent with prior Commission orders. Staff also stated that, as calculated on the several revised schedules Liberty filed on June 17, the resulting rates are just and reasonable and based on the competitive market. Staff recommended that the Commission approve Liberty's proposed rates, as corrected on June 17.

Staff testified that in 2020, Liberty purchased sufficient RECs to meet the requirement of 8 percent of total megawatt hours of electricity supplied by its provider, and that subsequently that requirement was reduced to 2 percent, which meant Liberty now owned more Class III RECs than it needed for its Class III RPS compliance requirement. Staff also testified Liberty paid a market price for these RECs that was above the ACP rate thereby incurring unnecessary costs. Staff testified that, in the corrected schedules filed June 17, Liberty removed any costs associated with these extra Class III RECs and the above-ACP costs from the rates proposed in this case. Staff testified, however, that these extra Class III RECs and excess costs would need to be addressed in future Liberty proceedings concerning the use (or non-use) of these RECs. In addition, the Commission will need to review and decide the appropriate cost for customers to bear for these Class III RECs when and if they are used for RPS Compliance.

Staff recommended that the Commission require Liberty to report on the status and use of any extra RECs that it purchased due to the change in RPS requirements from 8 percent to

2 percent, after Liberty had purchased its 2020 RECs and on any extra costs resulting from Liberty purchasing RECs at a market price above the ACP cost level. Staff noted that such status reports may be needed for two to three years, until the issues surrounding these extra RECs, and their cost, have been fully resolved.

III. COMMISSION ANALYSIS

We find that Liberty complied with the procedures set forth in the settlement agreement approved in Order No. 24,577, as amended in subsequent dockets, regarding its issuance of the RFP, its analysis of the bids, and its selection of the winning bidders. We are also satisfied that Liberty took appropriate steps to solicit multiple potential suppliers in order to receive competitive bid responses. We find that the procurement results are consistent with the requirements of RSA 374-F:3,V(c) that default service be procured through the competitive market, and we find that the resulting rates are just and reasonable as required by RSA 374:2.

We further find that Liberty's evaluation of the bids and its selection of suppliers were reasonable and appropriate. Liberty's testimony and its bid evaluation report indicate that bid prices reflect expected market conditions for the six-month period beginning August 1, 2021.

We also approve the proposed reconciliation in rates. While we acknowledge that Liberty timely filed its reconciliation associated with energy service rates on May 14, 2021, which was at least 30 days prior to its energy service rate filing, pursuant to Order No. 26,372 (June 29, 2020), we note that Liberty's materials required several corrections, prompted by inquiry from our Staff, with amended schedules being filed just prior to the hearing in this case. We direct Liberty to be sure that future reconciliation filings are presented so as to clearly show that the lowest just and reasonable rates are proposed for approval. Based on the testimony and

other information provided by Liberty, as amended and corrected, we approve the proposed RPS adder and the proposed rates.

Last, we appreciate Staff's recommendation regarding excess REC costs. With each energy service filing, we direct Liberty to report on not only the status of the extra RECs purchased in 2020 and the treatment of costs in excess of the APC rate and any write-offs it takes in relation to those RECs in future reconciliation filings, but also to provide reports of its RPS compliance management until further notice. In those reports, Liberty shall provide information regarding its REC purchases, banking, use, retirement, and write-offs. Liberty shall also present an exhibit similar to Exhibit 6, expanded to show the quantity and price paid for RECs and the then applicable ACP rate for all RECs included in the Company's RPS cost reconciliation.

Based upon the foregoing, it is hereby

ORDERED, that the Master Power Agreement and Transaction Confirmation entered into by Liberty Utilities with Dynegy Marketing and Trade, LLC, for the six-month power supply requirements beginning August 1, 2021, until January 31, 2022, for the Large Customer Group, and the related New Hampshire Master Power Agreement, and the resulting rates, are hereby APPROVED; and it is

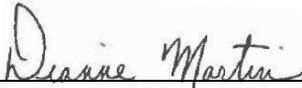
FURTHER ORDERED, that that the Master Power Agreement and Transaction Confirmations entered into by Liberty Utilities with Exelon Generation Company, LLC for the six-month power supply beginning August 1, 2021, until January 31, 2022, for the Small Customer Group; and the resulting rates, are hereby APPROVED; and it is

FURTHER ORDERED, that Liberty file the reconciliation associated with energy service rates each year at least 30 days prior to its energy service rate filing, subject to update

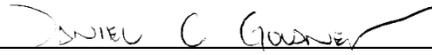
with the energy service filing, and that such reconciliation filings shall include the information concerning RECs outline above; and it is

FURTHER ORDERED, that Liberty shall file conforming tariffs within 15 days of the date of this order, consistent with N.H. Admin. R., Puc 1603.02.

By order of the Public Utilities Commission of New Hampshire this twenty-first day of June, 2021.

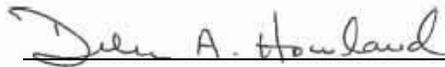


Dianne Martin
Chairwoman



Daniel C. Goldner
Commissioner

Attested by:



Debra A. Howland
Executive Director

Service List - Docket Related

Docket#: 21-087

Printed: 6/21/2021

Email Addresses

ExecutiveDirector@puc.nh.gov
richard.chagnon@puc.nh.gov
paul.dexter@puc.nh.gov
Stephen.Eckberg@puc.nh.gov
tom.frantz@puc.nh.gov
Adam.Hall@libertyutilities.com
maureen.karpf@libertyutilities.com
steven.mullen@libertyutilities.com
amanda.noonan@puc.nh.gov
ocalitigation@oca.nh.gov
michael.sheehan@libertyutilities.com
david.simek@libertyutilities.com
karen.sinville@libertyutilities.com
john.warshaw@libertyutilities.com